



**Engineering & Construction
Management Fees
Audit No. A2012-02**

Issued by the
Internal Audit Office
February 20, 2012

EXECUTIVE SUMMARY

The Internal Audit Office has concluded its audit of Engineering & Construction Management Fees. Based on the results of the audit, four (4) findings have been identified. All four of these findings are considered significant in nature.

Listed below is a summary of the four (4) significant findings identified in this report.

1. A review of the daily balancing documentation for the month of October 2011 identified that daily balancing documentation was incomplete and/or inaccurate for 17 out of 17 (100%) days reviewed.
2. The Business Center holds checks for Planning & Economic Development and Engineering & Construction Management in their safe. As of 12/1/2011 the Business Center had checks on hand with dates ranging from 8/8/2011 to 11/9/2011, totaling \$7,670.70.
3. Credit Card payments are being accepted at the Building Permits and Inspections Section by the Senior Secretary and a Customer Relations Clerk.
4. There are internal control weaknesses related to the safeguarding of Business Center revenues. The weaknesses are outlined below:
 - Clerks do not log off or lock their cash drawer when they step away from their work station.
 - Balancing of cash register drawers is not conducted in a secured area.
 - With the transition of the Business Center to the 1st floor of City Hall, monies will be transferred from the 1st floor to the 5th floor using the elevators so that they can be safeguarded in the Business Center safe.

For a detailed explanation of each of the findings please refer to the appropriate finding contained in the body of this Audit Report.

BACKGROUND

Engineering & Construction Management oversees Planning, Building Permits & Inspections, Land Development, and the Business Center. The Business Center, currently located on the 5th floor of City Hall, offers cashier services and issues permits and licenses for:

- Alcohol, fire, food and lodging,
- Vendors, tattoo, and body piercing,
- Adult businesses,
- Commercial swimming pools,
- Flea markets, hotels and motels,
- Secondhand dealers,
- Trailer courts,
- Charitable solicitation,
- Adult and child care home occupations,
- Open Records requests,
- Residential parking tags,
- Parades, amplifications and temporary events.

In FY 2011, the Business Center serviced 6,707 permit customers, 7,466 licensing customers, and 11,356 paying customers that did not utilize plan review. The Business Center takes in approximately Ten to Twelve million dollars in revenue each year, with more than 50% of the payments made in the form of a check. The Business Center utilizes clerks and not cashiers because the clerks need to know several professional processes. Currently the Business Center handles over one hundred processes to include permits for other City Departments. In order to better service the needs of Engineering & Construction Management and the Business Center, the City of El Paso purchased ACCELA Automation software. ACCELA went live on February 28, 2011. According to Business Center Customer Relations Clerks, with the implementation of ACCELA, correct fees are now being charged. The transition into ACCELA initially resulted in several complaints from customers regarding higher fees and variances in the fees being charged. Now that ACCELA has been fully implemented, contractors are now aware of the correct fees.

AUDIT OBJECTIVES

The audit objectives for the Engineering & Construction Management Fees Audit were to determine if,

1. Procedures currently being utilized by the Business Center are operating as intended by management.
2. Cash handling procedures at the Business Center are consistent with the City of El Paso Cash Management Manual.
3. Determine if cashiers are charging the correct fees.
4. The Business Center is operating in a control conscious environment as it relates to cash handling procedures. We have characterized a control conscious environment as having:
 - An adequate level of internal control awareness.
 - Proper separation of duties.
 - Existence of a proper monitoring system.
 - Appropriate authorization/approval of expenditures.
 - Adequate safeguarding of financial, physical, and information assets.

AUDIT SCOPE

The audit period covered the operations of Fiscal Year 2011 – 2012.

AUDIT METHODOLOGY

To achieve our audit objectives we:

- Conducted interviews with Business Center management and staff,
- Conducted an analysis based on the City of El Paso's Cash Management Manual,
- Conducted a review of the Business Center's applicable policies and procedures,
- Conducted a review for proper segregation of duties and,
- Performed tests of selected transactions.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This audit was also conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

***SIGNIFICANT FINDINGS, RECOMMENDATIONS,
AND MANAGEMENT’S RESPONSES***

The definition of a significant finding is one that has a material effect on the City of El Paso’s financial statements, identifies an internal control breakdown, a violation of a City procedure, or a violation of a law and/or regulation, which the City is required to follow. Any finding not meeting these criteria will be classified as an “Other Finding”.

Finding: 1

Daily Balancing Documentation for Accuracy

As required by established internal Engineering and Construction Services Cash Handling Procedures,

- *“All Customer Relations Clerks will begin each daily working session with a combination of \$200.00 cash/currency in their drawer; this is to be counted by the employee for verification...b. Customer Relations Clerk are required to complete Daily Activity Report...”*

A review of the daily balancing documentation for the month of October 2011 identified that daily balancing documentation, which consists of one “Daily Cash Report,” a “Daily Activity Report,” and a “Cashier Summary” report for each cashier that worked on a given day, was incomplete and/or inaccurate for 17 out of 17 (100%) days reviewed.

A listing of the discrepancies identified is presented below:

Description	Instances
The “ <u>Daily Activity Reports</u> ” were not properly initialed and dated in the designated area.	17
“ <u>Daily Activity Reports</u> ” did not match their corresponding “ <u>Cashier Summary</u> .” Discrepancies were due to voids and the Customer Service Clerk's inputting the incorrect payment type for revenue collected.	15
“ <u>Engineering & Construction Management Daily Cash Report</u> ” totals did not correspond to the Accela “ <u>Cashier Summary</u> ” totals.	9
Voids were not adequately supported and properly completed in Accela.	3

Recommendation:

The Business Center should implement a reconciliation process to ensure that daily balancing documentation is complete and accurately completed.

Management's Response:

- 1.) Policy revised to include the signature of individual cashier and supervisor in the designated area.

Context: The audit was performed during a period of transition, the following findings were partially due to a learning curve and/or associated with policies and procedures, now developed, relating to the new Accela system.

- 2.) Void procedures have been modified. They are now processed daily in order to close the cashiering station. Cashiers must submit a copy (screen shot) of all voids for reconciliation purposes.
- 3.) Daily deposits reconcile against both the Cash Report and Accela Summary. These two reports and the deposit must match exactly. (Previous issues related to voids, addressed above)
- 4.) See response 2.

Responsible Party:

Customer Relations & Billing Supervisor and Business & Financial Manager

Implementation Date:

March 19, 2012

Finding: 2

Holding of Checks

As required by the City of El Paso Cash Management Manual dated June 2011, Sections 5.1 and 5.2,

- *“All moneys received by any person in any department, in connection with the business of the City, must be deposited within 24 hours of receipt or in accordance with 5.2 below. DO NOT HOLD CHECKS FOR ANY REASON AT THE DEPARTMENT LEVEL. If issues arise where an employee believes that holding a check is prudent, please contact TSD immediately for disposition. Or, if a disposition of the funds cannot be reached at a department level or timely through TSD, the moneys will be presented to City Cashier’s for handling.”*
- *“In no circumstance should a check be left undeposited for more than 10 days from the date of the check to prevent loss of funds to the City.”*
- *“accept no temporary checks.”*

The Business Center holds checks for Planning and Economic Development and Engineering & Construction Management in their safe.

- As of 12/1/2011 the “Business Center ECM Safe Log” listed four checks with dates ranging from 8/8/2011 to 11/9/2011, totaling \$7,875.70. The actual checks on hand totaled \$7,670.70.
- A review of the log and the checks on hand identified the following:
 - A check for \$92.00 was not listed on the log,
 - A check for \$297.00 had not been properly signed out,
 - The check dated 8/8/2011 in the amount of \$1,083.00 was a temporary check.

Recommendation:

Management should ensure that temporary checks are not accepted and that checks received are deposited in accordance with the City of El Paso’s Cash Management Manual.

Management’s Response:

Per new policy, the Business Center no longer accepts temporary checks. If there is a need to retain checks for more than 24 hours, they will be taken to Financial Services- Treasury until deposit.

Responsible Party:

Customer Relations & Billing Supervisor and Business & Financial Manager

Implementation Date:

March 19, 2012

Finding: 3

Credit Card Payment Processing

- By Department Procedures, all payments for services provided by Engineering & Construction Management are to be processed or referred to the Business Center for processing.
- As required by the City of El Paso Cash Management Manual, Section 6.0: *“TSD is responsible for citywide coordination of acceptance of credit cards for payments. Departments must receive authorization from the TSD in order to process credit cards through the system.”*

Credit Card payments are being accepted outside of the Business Center by the Senior Secretary and a Customer Relations Clerk.

- The Secretary and the Clerk are housed in the Building Permits and Inspections Section.
- The customer and credit card information is being written down on a manual form and is delivered to the Business Center for processing, usually at the end of each day.

Recommendation:

The Senior Secretary and a Customer Relations Clerk that are housed in the Building Permits and Inspections Section should not take down any credit card information. All payment related calls should be referred to the Business Center for proper processing.

Management's Response:

Per new policy, **no** employee outside of the Business Center may accept credit card information. All customers wishing to pay with a credit card will be referred to the Business Center. In addition, the Business Center will only accept credit card payments for functions assigned to the division, i.e.: License and Permit activity

Responsible Party:

BPI Deputy Director, Customer Relations & Billing Supervisor and Business & Financial Manager

Implementation Date:

March 12, 2012

Finding: 4

Safeguarding of Business Center Revenues

As required by the Cash Management Manual dated June 2011, Section 5.2, “*Departments must ensure that the moneys are safeguarded at all times, preferable in a safe or other secured lockbox or cabinet.*”

There are internal control weaknesses related to the safeguarding of Business Center revenues. The weaknesses are outlined below:

- During a site visit conducted on 11/30/2011, it was observed that two out of three (67%) clerks did not log off or lock their cash drawer when they stepped away from their station.
- Balancing of cash register drawers is not conducted in a secured area.
- Daily deposits, cash drawer tills, and the Business Center change fund are currently adequately safeguarded in the Business Center safe. With the transition of the Business Center to the 1st floor of City Hall, monies will be transferred from the 1st floor to the 5th floor using the elevators so that they can be safeguarded in the Business Center safe.

Recommendation:

The Business Center should install a safe on the 1st floor and implement proper security measures to ensure the safeguarding of assets.

Management’s Response:

Per new policy, Cashiers are required to lock their cash drawer when they step away from their station. Balancing of the cash registers will take place at the back-half of the employee workstation without any distraction (no customer or other contact, no phone, or any other type of disruption).

Until the Tax office moves, those employees transporting funds between the 5th to 1st floors are using the secure Mayor’s elevator with 2-3 person integrity and no public interaction. Once the tax office vacates the space, the vault combination will be changed and the Business Center will utilize the safe.

Responsible Party:

Customer Relations & Billing Supervisor & Customer Relations Representatives

Implementation Date:

March 19, 2012

INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may deteriorate.

CONCLUSION

We have concluded work on the audit objectives of the Engineering & Construction Management Fees Audit. In accordance with *Generally Accepted Government Auditing Standards* we are required to conclude on whether Engineering & Construction Management's Business Center met the objectives of this audit. The following is our conclusion.

1. The Business Center is operating in a control conscious environment with the exception of the findings identified in this report.
2. Procedures currently being utilized by the Business Center are operating as intended by management in the following areas:
 - There is a proper system of segregation of duties within the Business Center.
 - Change funds are properly utilized and accounted for.
 - Fees are being charged correctly.
 - Revenue received by the Business Center is accounted for and deposited.
3. The Business Center's internal control environment has not met management's objectives in the of the following areas:
 - Weaknesses were identified in the monitoring system of the cashiering function. Discrepancies were identified during the audit in the areas of voids, daily balancing documentation, holding of checks, and credit card processing.
 - Revenues are not safeguarded in accordance with the City of El Paso's Cash Management Manual.

The Business Center is being relocated to the first floor of City Hall, which will be the future One-Stop Cashiering Shop for City Hall. The Business Center should ensure that proper controls are in place over the cashiering function and operating inefficiencies are eliminated before the transition. The Business Center's improved facilities have thus far helped the Business Center run like a professional business. Implementing the recommendations provided in this Audit Report should assist the Business Center improve the cashiering function and help it run more efficiently.

We wish to thank the management and staff of the Business Center for their assistance and courtesies extended throughout this audit.

Signature on File
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Chief Internal Auditor

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Auditor

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